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RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHCV/AMEMBASSY CARACAS
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SENSITIVE
SIPDIS
DEPARTMENT FOR EEB/IFD/OMA - BRIANNA SAUNDERS

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SUBJECT: FISCAL TRANSPARENCY IN NICARAGUA

REF: A) SECSTATE 001923; B) 09 MANAGUA 1145; C) 09 MANAGUA 834

11. (SBU) Summary: Per Reftel A, while the Nicaraguan national budget is publicly available on the GON's Ministry of Finance website, it does not include or accurately reflect funds originating from Venezuela under the auspices of the Bolivarian Alliance for the Americas (ALBA) program, which remains a controversial issue within the Nicaraguan National Assembly and in the local media. In August 2009, The Ministry of Finance's Director of Fiscal Affairs told econoffs that ALBA proceeds fall outside of the Ministry of Finance's control (Ref C). Under pressure from the International Monetary Fund (IMF), the Central Bank of Nicaragua (BCN) released a 2009 mid-year foreign assistance report on December 3 (Ref B) which included a generic section on Venezuelan assistance. End Summary.

Budget Publicly Available

12. (U) Per Ref A request, Nicaragua is slated to receive funding in FY 2010 under the Department of State, Foreign Operations, and Related Programs Appropriations Act (SFOAA). Nicaragua's national budget, in both its proposed and National Assembly approved versions, is publicly available on the GON's Ministry of Finance website (www.hacienda.gob.ni). The budget is also published in the Nicaraguan equivalent of the U.S. Federal Register (La Gaceta). The Ministry of Finance website details overall revenues and expenditures, and breaks out the budget by ministry and agency. In turn, each ministerial budget details salaries, current expenditures, donor projects, and capital expenditures. Nicaragua's budget development and administration is governed by Law 550, the Public Administration and Budgetary Regime Law, which requires that the national and municipal budgets meet World Bank and IMF standards.

"Off-Budget" ALBA Funding Continues

13. (SBU) Venezuela, via ALBA, has provided significant sums of off-budget assistance to the GON since President Daniel Ortega assumed office i

14. (SBU) President Ortega has taken advantage of ALBA funds to promote social and poverty-relief programs for partisan gain firmly under the control of his Sandinista National Liberation Front (FSLN) party. A prime example is the so-called "Zero Hunger" campaign, aimed at rural poverty, the benefits of which have repeatedly flowed principally to Sandinista loyalists. The FSLN has used ALBA funds to purchase hotels, lucrative cattle ranches, pharmaceutical laboratories, and other moneymaking enterprises. None of these transactions have been subject to scrutiny from the National Assembly.

15. (SBU) In August 2009, Post delivered a demarche to the GON's Ministry of Finance on the importance of budget transparency (Ref C). Ovidio Reyes, Director of Fiscal and Economic Affairs, told econoffs that Venezuelan funds donated or lent to Nicaragua fall outside of the Ministry of Finance's control. He added that some donors choose to provide funds "off-budget" in order to avoid the GON's mandatory 6% levy for national universities and 4% for the court system. Reyes stated that it is up to each donor to provide information on how funds are spent.

Central Bank Report on ALBA Assistance

16. (SBU) As a result of pressure from the IMF, which maintains a Poverty Reduction and Growth Facility (PRGF) program with the GON, the Central Bank of Nicaragua (BCN) released a foreign assistance report in December, which included a brief (and generic) section on ALBA funding for the first six months of 2009 (Ref B). According to the report, the GON received \$283 million in assistance in the first six months of 2009, an increase of \$71 million compared to the same period in 2008. An accurate assessment concerning the impact of Venezuelan assistance in Nicaragua is difficult, because the GON has failed to explain how it has disbursed such assistance.
CALLAHAN